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Putnam INVESTMENTS

Via electronic mail (rule-comment@sec.gov)

September 29, 2020

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: Reporting Threshold for Institutional Investment Managers, File No. S7-08-20

Dear Ms. Countryman:

Founded in 1937, Putnam Investments is a leading global money management firm with approximately $182 billion in assets under management as of August 31, 2020. Putnam provides investment management services to both individual investors – primarily through their financial advisors – as well as to institutional investors worldwide. Putnam manages over 100 mutual funds and 60 institutional strategies across a range of asset classes and investment styles. Putnam is a sponsor of four closed-end funds registered under the Investment Company Act of 1940. At September 27, 2020 Putnam had $1.8 billion in closed-end fund assets under management.

Putnam welcomes the opportunity to provide the Securities and Exchange Commission (the "SEC") with comments on the proposal to raise the reporting threshold for Form 13F reports by institutional investment managers from $100 million to $3.5 billion (the "Proposal").[1]

Putnam understands the desire of the SEC to update the reporting threshold for Form 13F reports by institutional investment managers for the first time in 45 years to reflect the change in size and structure of the U.S. equities market since 1975. However, we believe that the sizeable increase in the reporting threshold would have a detrimental effect on closed-end funds and their sponsors by exempting a number of institutional investment managers that are leading closed-end fund activists from reporting obligations on Form 13F. We believe that Form 13F reports provide closed-end funds with valuable insights into the accumulation of positions in closed-end funds by activists that are below the 5% threshold for reporting on Schedule 13D or 13G under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

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1 *See Reporting Threshold for Institutional Investment Managers* , 85 Fed. Reg. 46016 (Jul. 31, 2020), *available at* (https://www.sec.gov/rules/proposed/2020/34-89290.pdf (the "Proposing Release").

The Proposal would amend Rule 13f-1 and Form 13F to raise the reporting threshold for Form 13F from $100 million to $3.5 billion. In the Proposing Release, the SEC stated that it determined the adjustment based on the growth of the U.S. equities market that occurred between the adoption of section 13(f) in 1975 and December 2018, and that it is designed to reflect proportionally the same market value of U.S. equities that $100 million represented in 1975.

We agree with the concerns expressed by Commissioner Allison Herren Lee, who dissented on the Proposal. In her statement, Commissioner Lee noted that the Proposal "would eliminate access to information about discretionary accounts managed by more than 4,500 institutional investment managers representing approximately $2.3 trillion in assets" and that the "[t]he costs of losing transparency are glossed over in brief narrative form and largely discounted" in the Proposing Release. See *Statement on the Proposal to Substantially Reduce 13F Reporting. July 10, 2020.*

If the Proposal is adopted as proposed, it is estimated that 90% of the institutional investment managers currently subject to Form 13F reporting would no longer be required to report. Based on our review of recent Form 13F filings, many of the leading closed-end fund activist firms would fall significantly below the proposed $3.5 billion threshold and would no longer be required to file Form 13Fs.

We have been participating in the effort of the Investment Company Institute (the "ICI") to develop comments on the Proposal and support the recommendation of the ICI in its comment letter not to increase the threshold. We agree with the ICI's position that Form 13F serves as a useful source of market data that is widely utilized by market participants, members of the public, and the SEC, including with respect to activist accumulations of positions in closed-end funds, and that the SEC should encourage and support the transparency and accessibility of this data, rather than limiting it. We agree with the ICI's observation in its comment letter that the loss of transparency regarding the identity of investors currently provided by Form 13F filings would not be in the best interest of closed-end funds, their long-term investors, or the public generally.

If, however, the SEC believes some increase in the threshold is necessary, we support one of two alternatives depending on the size of the increase. If the SEC supports the ICI fallback position that any increase in the threshold should be based on inflation, as measured by the Consumer Price Index (CPI), such an increase would be acceptable. If the SEC elects to maintain its position that a material increase in the reporting threshold is necessary, we believe that the Proposal should include a carveout provision mandating a continuing reporting obligation for institutional investment managers that have instituted a proxy contest or filed a Form 13D within a prescribed look-back period of at least 5 years regardless of whether the investment manager's holdings of reportable equity securities is below the revised reporting threshold.

Closed-End Fund Activists

Shareholders have chosen to invest in a closed-end fund in part due to the structural advantages that they offer, including the ability to use leverage through preferred shares, maintain smaller cash positions and hold more illiquid securities. In addition, many shareholders have invested in closed-end funds at a discount in order to seek higher returns over time relative to a comparable investment in an open-end fund or other vehicle at net asset value.

The SEC acknowledged in its proposing release for the 2018 fund of funds proposal that closed-end funds have historically been the target of proxy contests. See Fund of Funds Arrangements (Release Nos. 33-10590, December 19, 2018 at p. 37 and footnote 95 stating that "Since the mid-1990s, closed-end funds that have traded at a discount to NAV have been the target of proxy contests initiated by large investors in those funds, including other funds. See, e.g., Tom Lauricella, Proxy Fight at Closed-End Fund Opens Can of Worms for Industry, The Wall Street Journal (Aug. 9, 2002).")

Closed-end fund activists typically seek a "liquidity event" at or near net asset value, including a conversion of the closed-end fund to an open-end fund, liquidation of the closed-end fund, or a substantial tender offer. The closed-end fund activist may use various tactics to achieve this objective, including shareholder proposals mandating that the closed-end fund conduct a substantial tender offer at or near NAV, the nomination of director candidates, liquidation of the closed-end fund or termination of the management contract with the closed-end fund's existing investment adviser. The activist seeks short-term arbitrage profits from the difference between the discount price of the closed-end fund's shares and the price paid in connection with the liquidity event. In addition to the cost and burden imposed on closed-end funds by any related proxy contest, a substantial tender offer resulting from an activist shareholder proposal would result in a decrease in the closed-end fund's size and increase its expense ratio. In order to raise the proceeds to fund the tender offer, the closed-end fund may have to sell portfolio securities at sub-optimal prices. In the case of a conversion of a closed-end fund to an open-end fund or a liquidation, investors would lose the benefits of an investment in a closed-end fund structure. Finally, any narrowing of the discount in the closed-end fund's share price that results from the liquidity event may only be temporary.

According to the ICI, the number of closed-end funds available to investors has declined steadily since 2011. From 2012 through 2017, more closed-end funds were liquidated, and others converted into open-end mutual funds or exchange-traded funds, than new closed-end funds were launched. *See ICI Research Perspective-The Closed End Fund Market-2019 (April 2019).* Although the cause of the decline in the number of closed-end funds is likely due to multiple factors, the prevalence of closed-end fund activists and the pursuit of strategies, including open-ending closed-end funds and liquidations, has likely been a contributing factor to the decline, reducing the availability for retail investors of a product structure with unique advantages.

Reporting Threshold

For the reasons outlined in this letter, we do not support an increase in the Form 13F reporting threshold. If, however, the SEC believes some increase in the threshold is necessary, we support one of two alternatives depending on the size of the increase. If the SEC supports the ICI's fallback recommendation that any increase in the threshold would be based on inflation, as measured by the Consumer Price Index (CPI), such an increase would be acceptable. If the SEC elects to maintain its position that a material increase in the reporting threshold is necessary, we believe that any material increase in the reporting threshold should include a carveout provision that mandates a continuing reporting obligation for institutional investment managers that have instituted a proxy contest or filed a Form 13D within a 5-year look-back period regardless of whether the investment manager's holdings of reportable equity securities is below the revised reporting threshold.

This carveout provision would ensure continued transparency regarding accumulations of positions in closed-end funds that are below the 5% reporting threshold on Schedule 13D or 13G.[2] This carveout would not block initiatives by closed-end fund activists but simply provide the closed-end fund and its board of trustees and sponsor with continued transparency regarding accumulations of positions by activists in the closed-end fund that are below the Schedule 13D or Schedule 13G reporting thresholds. This transparency would facilitate the ability of the closed-end fund and its board of trustees to evaluate changes in the closed-end fund shareholder base and consider potential actions to respond to the closed-end fund activist position that are in the best interest of the closed-end fund's long-term shareholders, including to consider changes to the fund's governing documents or other measures to protect the closed-end fund against activist investors or to aid the board in assessing the likelihood that a proposal will be successful. Finally, the transparency provided by Schedule 13F reporting could facilitate timely communication with the closed-end fund activist to discuss potential concerns relating to the closed-end fund's discount or performance.

A continued reporting obligation for firms that have instituted a proxy contest is appropriate given that the conduct of a proxy contest is a hallmark of activism. The proposed carveout mandating a continued reporting obligation for Schedule 13D filers as opposed to Schedule 13G filers would address closed-end fund activists who have accumulated share positions in an issuer in order to change or influence control of the closed-end fund. Under Section 13(d) of the Exchange Act, any person who indirectly or directly becomes the beneficial owner of more than 5% of an issuer's equity securities registered under Section 12 of the Exchange Act must file with the SEC a Schedule 13D within 10 days after the acquisition. However, there are exemptions that permit a person may be able to file the more abbreviated Schedule 13G in lieu of filing Schedule 13D. One such exemption applies to an "institutional investor", which requires that the person has acquired the securities in the ordinary course of business and not with the purpose or effect of changing or influencing the control of the issuer. We believe that such a carveout would preserve vital transparency that exists today with respect to accumulations of positions in closed-end funds by activists.

[2] We acknowledge that certain CEF activists operate through funds registered under the Investment Company Act of 1940 and are consequently subject to portfolio holdings reporting obligations other than pursuant to Section 13 of the Exchange Act. However, prominent CEF activists accumulate positions in CEFs through vehicles and accounts other than registered 1940 Act funds.

Sincerely,

Robert L. Reynolds
President and Chief Executive Officer